

Waste, Fraud, and Abuse Elimination Task Force

- ***REFORMING GOVERNMENT***
- ***ELIMINATING WASTE***
- ***SAVING TAXPAYER DOLLARS***

**PUBLIC COMMENTS
AND SUGGESTIONS
QUARTERLY REPORT**

APRIL-JUNE 2013

July 2013

WISCONSIN REFORM MATERIALS ARE AVAILABLE ON THE INTERNET

To save taxpayer dollars and promote transparency in government, all quarterly reports of the Governor's Waste, Fraud, and Abuse Elimination Task Force have been published on the Internet for the public's view.

More of Governor Walker's reforms and the comprehensive Waste, Fraud, and Abuse Commission report can be viewed via the Governor's reform website at: <http://www.walker.wi.gov/Wisconsin-Reform>.

To submit an idea directly to the Governor's Waste, Fraud, and Abuse Elimination Task Force, go to: <http://www.bestpractices.wi.gov>.

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A. Letter from the Governor

Dear Fellow Wisconsinites:

State government should be transparent, efficient, and engage in a continuous improvement process with the goal of delivering quality services to its citizens at the most affordable price possible. Unfortunately, this has not always been the case in Wisconsin.

This is why, upon taking office in January 2011, I created a bipartisan Commission on Waste, Fraud, and Abuse. The goal was to create efficiencies by eliminating waste, fraud, and abuse in Wisconsin government.

In January of 2012, the Commission published its final report detailing their results and recommendations. The report included a total savings potential for state and local governments of more than \$455 million annually.

That is a great start, but identifying waste is not enough; we need to eliminate it. To that end, during my State of the State address in January 2012, I announced the creation of the Governor's Waste, Fraud, and Abuse Elimination Task Force. This Task Force is charged with reviewing the Commission's recommendations and investigating submissions from the public and state employees to continue our focus on saving taxpayer dollars and making Wisconsin government more efficient.

This report is the second report of 2013. There were 17 suggestions in the second quarter of 2013.

Right-sizing state government includes state government being a good steward of taxpayer dollars. The Commission and Task Force are steps to do this. By instilling a continuous improvement philosophy in state government, we can improve the quality of government and reduce its price to taxpayers.

Working together, we can be successful and continue to move Wisconsin forward.

Sincerely,

A handwritten signature in black ink, appearing to be 'Scott Walker', with a stylized flourish at the end.

Scott Walker
Governor

B. Executive Summary

This report highlights the activities of the Governor's Waste, Fraud and Abuse Elimination Task Force in the second quarter of 2013 from April to June as it relates to submissions from the public and state employees. The Task Force was created on January 25, 2012, and was announced during Governor Walker's 2012 State of the State address.

The Task Force reviews and investigates submissions from the public via bestpractices.wi.gov. These submissions are reviewed and investigated, along with input from state agencies, by the Task Force members.

This is a summary of the submissions to the Task Force in the second quarter of 2013 as well as updates on waste, fraud, and abuse related initiatives throughout state government.

Highlights from this quarterly report:

- ✓ The Department of Revenue has launched improved data collection tools that allow for better eligibility determinations for the Earned Income Tax Credit and Homestead Tax Credit Programs.
- ✓ The Office of Inspector General (OIG) in the Department of Health Services has collected or avoided nearly \$8 million in public assistance recipient fraud in the first half of 2013. The OIG also has completed more than 2,500 FoodShare investigations.
- ✓ More than 94% of the public comments and suggestions to the Task Force in the second quarter of 2013 have been resolved.

- ✓ **EITC and HTC fraudulent collections have grown 63% from tax years 2010 to 2012.**
- ✓ **The Inspector General's office has conducted more than 2,500 FoodShare investigations.**
- ✓ **94% of suggestions for this quarter have been resolved.**

C. Input from the Public

From April through June 2013, the Task Force received a total of 17 submissions from the public and state employees.

As shown in Table 1, the most common topic of the submissions related to education, government efficiency, and public assistance; nearly 65% of the total. The next most common topic other than various other was transportation.

Table 1

Topics	Percentage
Education	29.4%
Government Efficiency	23.5%
Various Other	23.5%
Public Assistance	11.8%
Transportation	11.8%

Suggestions included in the column ‘Various Other’ include issues such as complaints unique to a specific location, random agency complaints not easily categorized, and other topics that are too unique to categorize. However, these suggestions along with all others are reviewed by the Task Force.

Of the total submissions received by the Task Force, the vast majority has been resolved (94.1% of total). A complete breakdown on the status of public submissions is shown in Table 2.

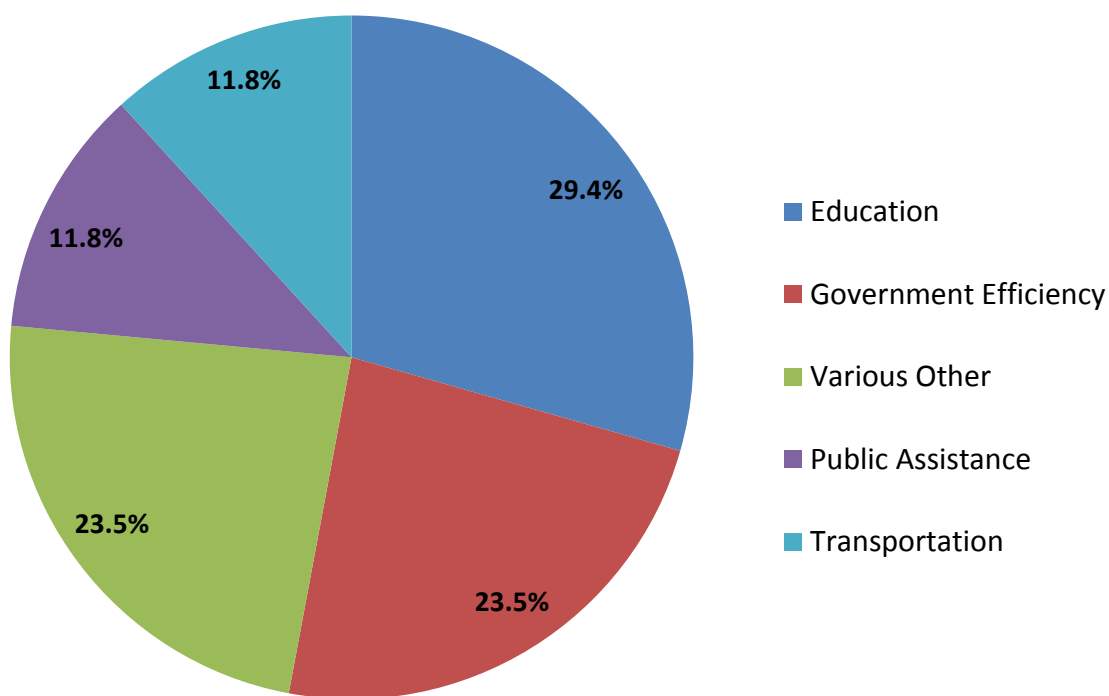
D. Public Comments and Suggestions

The Governor and Task Force are grateful for the ideas and the interest shown from the public and state employees to continue the focus to save taxpayer dollars and make government more efficient.

The Task Force reviews and investigates submissions from the public to the Task Force via bestpractices.wi.gov. These submissions are first reviewed and investigated, along with input from state agencies, by the Task Force members in the Governor's office and, after the review process is complete, decisions to advance these recommendations are brought before the full membership of the Task Force.

Figure 1

Public Comments and Suggestions by Topic



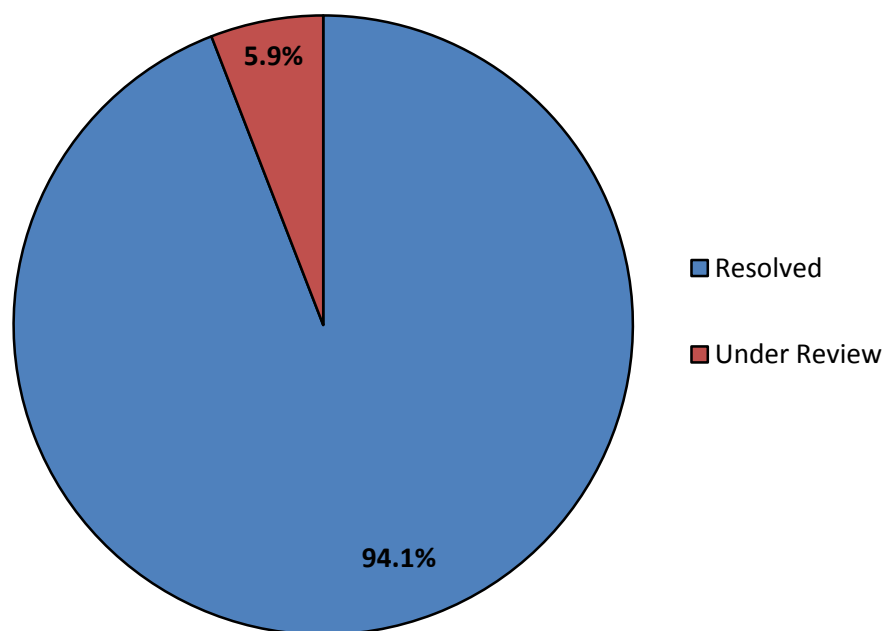
As shown below in Table 2 and Figure 2, 94.1% of public comments and suggestions submitted to the Task Force in the second quarter of 2013 have since been resolved either by Task Force members in the Governor’s Office or by the Task Force’s state agency sub-groups. Of the remaining submissions, 5.9% are under review. All submissions receive a response from the Task Force thanking the individual for their submission.

Table 2

Status of Public Comments and Suggestions

Status	Percentage
Resolved	94.1%
Under Review	5.9%

Figure 2



E. Select Cases Submitted to the Task Force

Open Government

Suggestion:

One of the suggestions from the public this quarter began with, “Please provide a list where all the tax money goes to the public so we can see where savings may be gained.”

Background:

The state would be happy to know that Governor Walker is committed to an “Open Book” with all state agency spending \$100 or above compiled for the public to view. This website is currently in production. This will make government more transparent and accountable. Check the Wisconsin [Department of Administration](#) website periodically for a link to the webpage.

Currently, all contracts over \$10,000 are available on a different site for the public to view. The Governor’s office and agencies post contracts over \$10,000 on [contract sunshine](#).

F. Waste, Fraud, and Abuse Task Force Updates

Targeting Tax Fraud

Background:

The Governor's Commission on Waste, Fraud, and Abuse included recommendations to reduce tax fraud within the Earned Income Tax Credit (EITC) Program.

Expand the examination of Earned Income Tax Credit claims to reduce fraudulent refunds. The department can identify more fraudulent refunds with access to more data. Nationwide the cost of fraud in this program is estimated at between \$11 and \$13 billion and is the second highest improper payment amount of any federal program according to the Treasury Inspector General for Tax Administration. If the department had access to more data, the department could save at least \$2.4 million per year.¹

Governor's Commission on Waste, Fraud, and Abuse Final Report

The third quarter 2012 Task Force report also discussed how the Department of Revenue (DOR) is pursuing better use of data analytics to cross check tax program applications for eligibility.² Following up on these developments, DOR has increased its efforts to identify tax return and credit claim filing fraud in 2012 and 2013. If tax refunds are issued to fraudsters, honest taxpayers foot the bill. It's why DOR is targeting tax fraud.

The federal Internal Revenue Service (IRS) estimates that attempts by identity thieves to steal personal information to claim refunds grew 78% from 2011 to 2012.³ Also, the IRS estimates that 23% to 28% of all federal tax refunds for the earned income credit are issued improperly.⁴ While attempts to commit tax fraud may be on the rise, DOR is also stepping up review of potentially fraudulent claims.

A review of fraudulent claims for the Earned Income Tax Credit (EITC) or the Homestead Credit (HTC) show some of the common attempts to commit fraud: not being a Wisconsin resident if required, claiming children that do not exist, or underreporting income to be eligible for homestead or earned income credit.

The following table reflects the increased earned income and homestead credit reductions and denials. Total credit reductions and denials in 2012-13 have more than doubled since 2003-04.

¹ [Governor's Commission on Waste, Fraud, and Abuse Final Report](#)

² [Governor's Waste, Fraud, and Abuse Elimination Task Force, Third Quarter 2012](#)

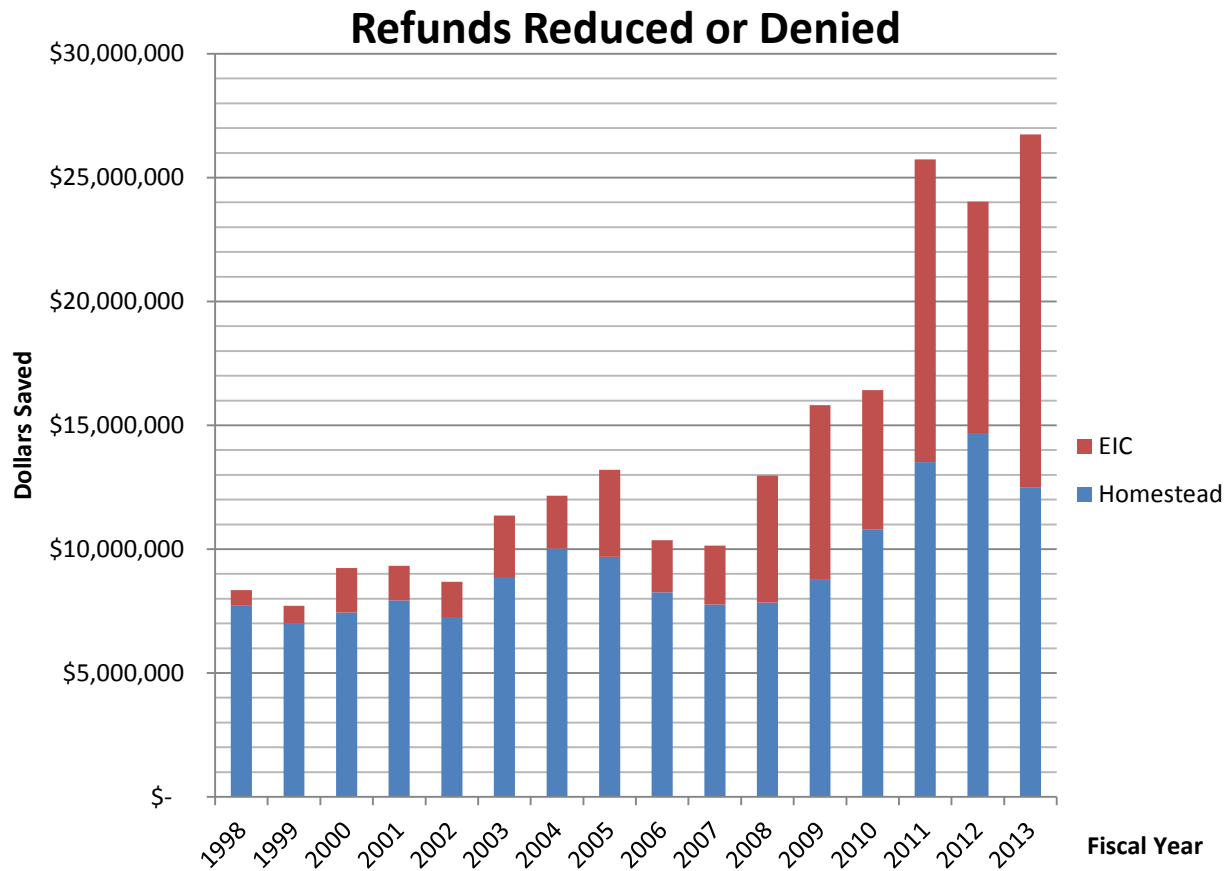
³ [Stolen tax refund? What to do next, February 11, 2013, Wall Street Journal Market Watch](#)

⁴ [Treasury Inspector General for Tax Administration Report, February 9, 2011](#)

	Earned Income Credits	Homestead Credits	Total Reductions/Denials
2003-04	2,127,600	10,031,500	\$12,159,100
2004-05	3,517,000	9,685,300	\$13,202,300
2005-06	2,112,300	8,254,200	\$10,366,500
2006-07	2,370,400	7,766,900	\$10,137,300
2007-08	5,127,000	7,840,300	\$12,967,300
2008-09	7,055,000	8,760,800	\$15,815,800
2009-10	5,644,000	10,782,500	\$16,426,500
2010-11	12,220,000	13,510,200	\$25,730,200
2011-12	9,341,500	14,694,500	\$24,036,000
2012-13	14,257,800	12,480,800	\$26,738,600

This data shows improved detection of fraud due to leveraging technology and taking the following actions:

- DOR has adjusted computer system rules to look for certain characteristics in claims or returns and to review more claims and returns before refunds are issued. For example, auditors and fraud analysts are reviewing all claims of first time filers where fraud is more common.
- Auditors and fraud analysts are (1) contacting employers when questionable W-2s are attached to income tax returns, (2) requesting birth certificates and school records for children identified on earned income credit claims under review, and (3) contacting landlords when rent certificates appear to be falsified.
- DOR is also matching existing data to new third party data sources to identify potential fraud schemes and patterns.



Moving forward, DOR will continue proven actions that prevent fraud and build upon these efforts with new data matching and data sorting capabilities.

Every dollar that goes to a fraudster is a taxpayer dollar wasted or money that isn't available for those truly eligible and in need.

Department of Health Services Office of Inspector General Update

Governor Walker [announced the creation](#) of the Office of the Inspector General (OIG) in the fall of 2011. The goal was to consolidate and improve DHS's public assistance program integrity and fraud prevention efforts. The OIG is assisting in implementing final recommendations made by the Governor's Commission on Waste, Fraud and Abuse as well.

Previously, program integrity and anti-fraud efforts were housed within individual programs located throughout the Department. The OIG brought each of these efforts into one office reporting directly to the Secretary. The individual programs serve more than one million people and have a biennial budget of more than \$16 billion.

Below are some results from the OIG in the new calendar year. For results from 2012 go to <http://walker.wi.gov/Wisconsin-Reform/Quarterly-Reports> and review prior quarterly reports.

DHS OIG Measures	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Totals
Recipient Fraud Unit						
Benefits Saved (Cost Avoidance + IPV)	\$1,014,462	\$919,256	\$846,342	\$783,214	\$861,651	\$4,424,925
Payments Recouped	\$762,955	\$748,486	\$623,981	\$453,566	\$786,754	\$3,375,742
FS Investigations Completed	541	532	518	529	471	2,591
Persons Suspended from FoodShare Program	30	17	18	22	34	121
Program Costs (Estimated)	\$106,000	\$106,000	\$106,000	\$106,000	\$106,000	\$530,000
Benefit/Cost Ratio (program savings per dollar spent on fraud detection)	\$16.77	\$15.73	\$13.87	\$11.67	\$15.55	\$14.72
PARIS Interstate Matching						
Overpayments	\$81,129	\$188,998	\$247,408	\$198,141	\$241,769	\$957,445
Cost Avoidance	\$34,828	\$54,616	\$52,646	\$79,394	\$65,577	\$287,061
Total Cases Resolved	485	1,160	896	844	858	4,243

Public Assistance Reporting Information System (PARIS) data was added to the DHS OIG measures. An explanation of this system and the value of this program in eliminating fraud will be included in next quarter's report. PARIS is briefly discussed in the Governor's Waste, Fraud, and Abuse Commission [Final Report](#).

G. Task Force Membership

Becky Kikkert

Wisconsin Department of Workforce Development

Brian Hayes

Budget Director and Administrator, Division of Executive Budget and Finance

Wisconsin Department of Administration

Waylon Hurlburt

Senior Advisor

Office of Governor Scott Walker

Jack Jablonski

Deputy Secretary

Wisconsin Department of Revenue

Helen McCain

Administrator, Division of Enterprise Operations

Wisconsin Department of Administration

Kevin Moore

Deputy Secretary

Wisconsin Department of Health Services

Summer Shannon-Bradley

Administrator, Division of Facilities Development

Wisconsin Department of Administration

Scott Legwold

Assistant Deputy Secretary

Department of Corrections

